



homeWORD

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EXHIBIT 6
DATE 1-15-07
HB 29

Testimony in favor of HB 29, Bill to Cap Payday and Title Loan APR's.

Lindsay Daehlin

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As a financial educator at homeWORD, in every class of adults seeking better financial management skills many have stories to tell about how their lives have been negatively affected by payday and title loans. They tell me that they never expected to get trapped in these loans, unable to pay down the original borrowed. Many of my students are appalled and angry when we calculate the true APRs together in class, 500-600%. The APR's were not disclosed to them when they took out the loans. When we talk about how credit card APR's are capped at 36%, they always ask why payday and title loan APR's are not also capped. Many tell me they wish they could come to Helena to tell you all their stories and urge you pass this bill to make these loans fair.

For payday loans specifically, you cannot make payments on it. The entire loan amount is due in full 2 weeks later. This forces people who do not have \$200-\$300 extra in their paycheck to take out another payday loan, often from a different company to pay off the first. They are now trapped having to continue taking out one to pay the other and each time paying the excessive fees. One client I remember was paying \$150 per month in fees/interest alone, never able to touch the principle for over a year. Like many working families who come to our classes, she ended up losing her house.

The profits that payday and title loan companies make are exorbitant and are exploiting vulnerable Montanans. These loans do serve a purpose but the profits need to be reasonable. Credit card companies make plenty of profit with 36% APRs and so don't believe the scare tactics of these lenders who claim they would be run out of business. I strongly urge you to pass this much needed bill that would so greatly benefit our economies and families.